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CAPITAL LTD.

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ANNUAL REPORT

30TH SEPTEMBER, 1980



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GBC

CAPITAL LTD.

DIRECTORS

Douglas T. Bourke
*President and Chief Executive Officer,
Drummond, McCall Inc.
Lachine, Quebec*

John Clark
*Assistant Director,
Ivory & Sime Limited
Edinburgh, Scotland*

George A. Fierheller
*President and Chief Executive Officer,
Premier Communications Limited
Vancouver, British Columbia*

R. Alexander Hammond-Chambers
*Director,
Ivory & Sime Limited
Edinburgh, Scotland*

Ian E. Ivory
*Director,
Ivory & Sime Limited
Edinburgh, Scotland*

Neil B. Ivory
*President,
Pembroke Management Ltd.
Montreal, Quebec*

John S. Lane, C.F.A.
*Vice-President, Investments for Canada,
Sun Life Assurance
Company of Canada
Toronto, Ontario*

Clifford L. Larock, F.C.I.S.
*Chairman and Chief Executive Officer,
Pembroke Management Ltd.
Montreal, Quebec*

Hugh R. Snyder
*President and Chief Executive Officer,
Brinco Limited
Toronto, Ontario*

OFFICERS

Clifford L. Larock, F.C.I.S.
President and Chief Executive Officer

Neil B. Ivory
Vice-President

A. Scott Taylor, C.F.A.
Vice-President

Richard Haller
Secretary-Treasurer

Cyril F. Reid
Assistant Secretary-Treasurer

MANAGERS AND LOCATION OF EXECUTIVE OFFICES

Pembroke Management Ltd.
1018 Sun Life Building,
Dominion Square,
Montreal, Quebec
H3B 2W8

LISTED

Montreal Stock Exchange

AUDITORS

Touche Ross & Co.,
Chartered Accountants,
1 Place Ville Marie,
Montreal, Quebec
H3B 2A2

TRANSFER AGENT AND REGISTRAR

Montreal Trust Company,
Montreal, Toronto and Calgary
(also Winnipeg and Vancouver for
Preferred Shares only)

REGISTERED OFFICE

First Canadian Place, 12th Floor,
100 King Street West,
Toronto, Ontario
M5X 1B3

ANNUAL MEETING

Friday, 23rd January, 1981,
10:15 a.m., at 1018 Sun Life
Building, Montreal, Quebec

TO THE SHAREHOLDERS

REVIEW OF THE 1980 FISCAL YEAR

GBC Capital recorded another period of strong growth during the fiscal year that ended 30th September, 1980, its sixth consecutive year of increased net asset value. Net assets rose 39.6% to \$110.9 million and, after deducting the redemption price of the preferred shares, net asset value per common share increased 43.1% to \$38.77, both record highs.

These results were most gratifying in light of the difficult economic conditions that existed in North America during the fiscal year. Inflation and interest rates rose dramatically during the first half of the year (ended 31st March, 1980) then declined equally sharply as the economy slipped into recession. Political and international uncertainties also prevailed making the buoyancy of the stock market all the more unusual. It appears that investors concluded that shares of companies that can achieve real and consistent growth of earnings and dividends or which have a strong asset base provide a true long term inflation hedge and, accordingly, bid up the prices of these securities.

Consolidated net income rose 19.6% to a record \$1,558,535 for the fiscal year. After preferred dividends, net income per common share equalled \$0.46 compared with \$0.37 last year.

DIVIDENDS

A dividend of \$0.43 per common share has been declared payable 25th November, 1980, to shareholders of record at the close of business on 14th November, 1980. This dividend represents an increase of 19.4% over the dividend of \$0.36 per share paid a year ago.

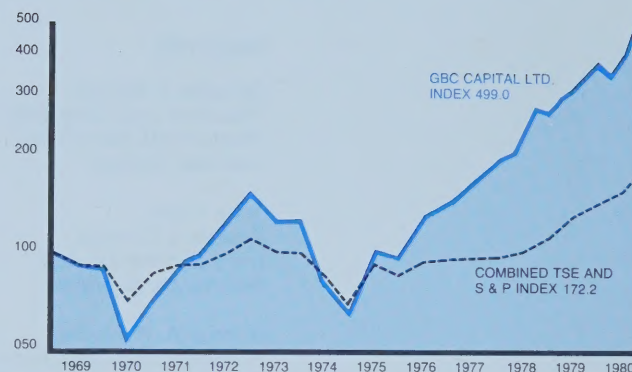
OBJECTIVE AND INVESTMENT POLICY

It is the goal of the managers of GBC Capital to produce a long term total return (dividends and growth of capital) that exceeds that of the general North American stock market as well as the rates available from fixed and floating rate investments. To achieve this objective investments are made principally in the shares of small to medium sized U.S. and Canadian companies that appear to have well above average long term growth prospects. This policy has worked especially well during the past six years but, because it entails a relatively high degree of risk, investment results were below average in the bear market years of 1970, 1973 and 1974.

LONG TERM RECORD

During the twelve years that GBC has been managed by Pembroke Management Ltd., starting at the beginning of 1969, the net asset value has risen from \$7.77 to \$38.77, an average annual rate of gain of 14.3%. In addition small, but in recent years, rapidly growing dividends have been paid. The accompanying graph compares GBC's net asset value per share to an index composed equally of the Toronto Stock Exchange 300 Composite Stock Index and the Standard and Poor 500 Composite Stock Index for the twelve year period ended 30th September, 1980.

TWELVE-YEAR RELATIVE PERFORMANCE



SUBSIDIARIES

DOMINION-SCOTTISH INVESTMENTS LIMITED

Dominion-Scottish, a 99% owned subsidiary with a well diversified portfolio of U.S. and Canadian growth stocks, experienced another dynamic year of growth during fiscal 1980. Net assets rose 45.4% to \$71.7 million following a 36.1% gain in 1979. Fiscal 1980 results for Dominion-Scottish compare with a rise of 29.0% and 14.8% for the Toronto Stock Exchange 300 and the Standard and Poor 500 Composite Stock indices, respectively, for the same period.

SUTTON VENTURES LTD.

Sutton Ventures, a 100% owned subsidiary of GBC, maintained its emphasis on emerging high technology shares during fiscal 1980. The market for these securities was very buoyant during this period and Sutton's net assets increased very satisfactorily by 46.9%.

TOP FIVE HOLDINGS

SHARED MEDICAL SYSTEMS CORPORATION

(11.9% of total assets)

Shared Medical Systems, the leading provider of shared hospital data processing systems in the U.S., will report its ninth consecutive year of record sales and earnings in 1980. For the first nine months (to 30th September) of its current fiscal year, sales rose 27.5% to \$76.0 million and net earnings 21.5% to \$0.79 per share. Prospects for well above average future growth appear assured in view of the company's growing customer base and record number of new service introductions.

REVELSTOKE COMPANIES LTD.

(6.4% of total assets)

Revelstoke is a retailing and building products company which operates primarily in Alberta but also in the other three Western provinces. The 104 stores serve "do-it-yourself" retail customers as well as professional builders while the two other divisions comprise the 21 redi-mix concrete plants,

many of which are located adjacent to retail stores, and the four lumber mills.

For the first half of 1980 Revelstoke reported a loss equivalent to \$0.32 per share as compared with earnings of \$0.19 per share for the first half of last year. This loss was caused by a combination of adverse factors including reduced housing activity, depressed farm incomes, lower consumer spending and very weak lumber prices. There will be a recovery in the second half but it is anticipated that results for the full year will be considerably below those for 1979 when earnings per share amounted to \$1.99.

There should be some improvement in the operating environment in 1981 which would permit Revelstoke to return to its long term growth trend. This growth is supported by the economic growth of Western Canada which is largely based on energy and other resource development.

NU-WEST GROUP LIMITED

(4.0% of total assets)

Nu-West started as a home building company in Calgary. From this base it expanded its land development and residential construction activity to other Canadian cities and, in recent years, to several major centres in the Western United States.

The company has also built up a substantial portfolio of revenue producing properties, such as office buildings and shopping centres, both directly and through its 49% interest in Carma Developers. This aspect of Nu-West was further expanded by its recent acquisition of Headway Corporation through a share exchange, while Carma has purchased control of Allarco Development Ltd. (It was through exchanging its Headway shares that GBC acquired its holding in Nu-West.)

In 1979, Nu-West entered the energy field by the purchase of Voyager Petroleums, a very successful oil and gas exploration company. This acquisition will make a significant contribution to earnings from a source other than real estate.

For the first half of the year net income amounted to \$7.7 million as compared with \$9.8 million in 1979 but, for the year as a whole, a modest rise above the \$41.6 million recorded in 1979 is anticipated.

TELEDYNE INC.

(3.6% of total assets)

Teledyne is a broadly diversified conglomerate which is characterized by its large number of small to medium sized subsidiaries (130 in total), well above average profitability (30% after tax return on equity) and substantial unconsolidated investments in several companies (29% of Brockway Glass, 31% of Curtiss Wright, 25% of Litton Industries and 21% of Reichold Chemicals as well as several others below 20%).

In recent years the company has purchased a significant number of its own common shares, a trend that is expected to continue. In view of the favourable long term prospects for growth and seeming undervaluation of the shares in relation

to earnings and assets, the investment appears to hold long term attraction, notwithstanding its significant price appreciation in the past two years.

LORNEX MINING CORPORATION LTD.

(3.5% of total assets)

Lornex operates the largest open-pit copper mine in Canada and also produces molybdenum and silver as valuable by-products. The company's status will be further enhanced by a 70% expansion of production capacity which is underway and scheduled for completion in mid 1981. This expansion is estimated to cost \$160 million and will be financed from existing cash reserves and ongoing cash flow.

For the first six months of this year earnings per share were \$5.05. Weaker copper prices will result in lower earnings in the second half of 1980 but, over the longer term expanded production and rising copper prices should lead to much higher earnings and dividends.

OUTLOOK

As has been the case in recent years, the economic outlook remains uninspiring. There has been an unexpectedly sharp recovery in the U.S. economy during the third quarter of calendar 1980 but, because the rate of inflation has abated only modestly, interest rates have increased rapidly threatening another dip in the economy starting in the first quarter of 1981.

Prospects are even less inspiring in Canada. The likelihood of price increases in food and petroleum suggests accelerated rates of inflation in 1981 while attempts to contain the enormous Federal Government deficit will act as an economic depressant. The present Government's goal of economic nationalism and increased public sector involvement will in the long run do a great deal of harm to the Canadian economy.

Notwithstanding these gloomy prospects, we plan to remain fully invested in the stock market. Many companies appear to have learned to cope with sluggish economic growth and high rates of interest and inflation. Common stocks will prove to be reasonably good inflation hedges over long periods of time and we believe that we can continue to meet our long term goal of providing an above average return for our shareholders.

DIRECTORATE

Mr. Donald E. Dunn, C.A., Vice-President of Finance of Henry Birks & Sons Ltd. will be nominated as a director of the Corporation at the forthcoming Annual Meeting in replacement of Mr. Douglas W. Parkin who resigned as at 30th September, 1980. The directors wish to record their appreciation of the contribution made by Mr. Parkin to the deliberations of the Board during his tenure as a director.

On behalf of the Board,
Clifford L. Larock,
President and Chief
Executive Officer

Montreal, Quebec,
3rd November, 1980.

GBC CAPITAL LTD.
and subsidiary companies

**CONSOLIDATED
STATEMENT OF INCOME AND
RETAINED EARNINGS**
for the Year Ended
30th September, 1980

	<u>1980</u>	<u>1979</u>
INCOME FROM INVESTMENTS.....	<u>\$2,728,052</u>	<u>\$2,283,175</u>
Management expenses.....	518,684	409,029
Other expenses.....	117,805	74,283
	<u>636,489</u>	<u>483,312</u>
	2,091,563	1,799,863
Income and withholding taxes.....	<u>378,823</u>	<u>344,389</u>
	1,712,740	1,455,474
Minority interest.....	<u>154,205</u>	<u>152,528</u>
NET INCOME.....	<u>1,558,535</u>	<u>1,302,946</u>
Retained earnings at beginning of year.....	<u>7,058,615</u>	<u>6,878,998</u>
	<u>8,617,150</u>	<u>8,181,944</u>
Dividends		
5¼% preferred shares.....	315,000	315,000
Common shares.....	<u>969,994</u>	<u>808,329</u>
	<u>1,284,994</u>	<u>1,123,329</u>
RETAINED EARNINGS AT END OF YEAR.....	<u>\$7,332,156</u>	<u>\$7,058,615</u>
Net income per common share.....	<u>\$0.46</u>	<u>\$0.37</u>

AUDITORS' REPORT
The Shareholders,
GBC Capital Ltd.

We have examined the consolidated statement of financial position of GBC Capital Ltd. as at 30th September, 1980 and the consolidated statement of income and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at 30th September, 1980 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Montreal, Quebec,
3rd November, 1980.

Touche Ross & Co.
Chartered Accountants

GBC CAPITAL LTD.
and subsidiary companies

**CONSOLIDATED
STATEMENT OF
FINANCIAL POSITION**

as at 30th September, 1980

	<u>1980</u>	<u>1979</u>
INVESTMENTS		
Securities at market value (Note 2).....	<u>\$115,090,246</u>	<u>\$78,892,157</u>
CURRENT ASSETS		
Cash and term deposits	1,144,004	2,062,887
Due from brokers	751,544	2,372,561
Accrued income on investments	340,406	298,772
Income taxes recoverable	—	63,296
	<u>2,235,954</u>	<u>4,797,516</u>
CURRENT LIABILITIES		
Due to bank	1,048,335	—
Preferred dividend payable	78,750	78,750
Due to brokers	1,095,393	—
Accounts payable and accrued expenses	147,427	105,569
Income taxes payable	441,655	681,400
	<u>2,811,560</u>	<u>865,719</u>
NET CURRENT (LIABILITIES) ASSETS	<u>(575,606)</u>	<u>3,931,797</u>
	114,514,640	82,823,954
MINORITY INTEREST	<u>3,580,969</u>	<u>3,371,920</u>
NET ASSETS (Note 5)	<u><u>\$110,933,671</u></u>	<u><u>\$79,452,034</u></u>
REPRESENTED BY		
Capital stock (Note 3)	\$ 22,166,574	\$22,166,574
Contributed surplus	1,325,310	1,325,310
Retained earnings	7,332,156	7,058,615
Surplus from changes in investments (Note 4)	22,942,733	17,081,564
Unrealized appreciation of investments (Note 2)	57,166,898	31,819,971
	<u><u>\$110,933,671</u></u>	<u><u>\$79,452,034</u></u>

On behalf of the Board

C. L. LAROCK, Director

NEIL B. IVORY, Director

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS**
30th September, 1980

1. Accounting policies and presentation

a. General

The Corporation follows generally accepted accounting principles in the preparation of its financial statements and their application is consistent with that of the preceding year.

b. Principles of consolidation

The consolidated financial statements include the accounts of Dominion-Scottish Investments Limited (99.04% of the common shares owned) and Sutton Ventures Ltd. (100% owned).

c. Foreign currencies

Transactions in foreign currencies during the year were recorded at the relative rates of exchange applicable on the dates of such transactions. Amounts in foreign currencies included in assets and liabilities have been shown in Canadian funds, converted at rates of exchange applicable at the end of the year, any adjustment thereon being credited or charged, as the case may be, to "Surplus from changes in investments".

d. Statement of changes in financial position

A statement of changes in financial position has been omitted since it is deemed inappropriate for an investment corporation. A statement of changes in net assets (Note 5) has been substituted therefor.

2. Securities at market value

	<u>1980</u>	<u>1979</u>
Held by		
GBC Capital Ltd.	\$ 28,078,696	\$23,220,510
Dominion-Scottish Investments Limited	72,618,087	46,368,916
Sutton Ventures Ltd.	14,393,463	9,302,731
	<u>115,090,246</u>	<u>78,892,157</u>
Securities at average cost	57,550,384	46,876,409
	<u>57,539,862</u>	<u>32,015,748</u>
Amount required to adjust average cost from a corporate basis to a consolidated basis.....	<u>(372,964)</u>	<u>(195,777)</u>
Balance included in shareholders' equity as unrealized appreciation of investments	<u>\$ 57,166,898</u>	<u>\$31,819,971</u>

No provision has been made for any liability for income taxes on capital gains which may arise on the future sale of investments. This is currently estimated to amount to \$15,848,000 based on the unrealized appreciation recorded by each of the consolidated corporations.

3. Capital stock

	<u>1980</u>	<u>1979</u>
5¼% cumulative redeemable preferred shares without nominal or par value		
Authorized and issued — 120,000 shares	\$ 6,000,000	\$ 6,000,000
Common shares without nominal or par value		
Authorized — not limited		
Issued — 2,694,429 shares	<u>16,166,574</u>	<u>16,166,574</u>
	<u>\$22,166,574</u>	<u>\$22,166,574</u>

The preferred shares are redeemable at the option of the Corporation at any time in whole or from time to time in part, on not less than 30 days' notice, at \$52.50 per share (in one restricted event at \$50 per share) plus accrued and unpaid dividends, if any, to the date of redemption. The Corporation may, at any time and from time to time, also purchase the whole or any part of such preferred shares in the open market at a price not exceeding the redemption price thereof plus costs of purchase.

4. Surplus from changes in investments

	<u>1980</u>	<u>1979</u>
Balance at beginning of year	<u>\$17,081,564</u>	<u>\$10,506,190</u>
Gain on changes in investments (including gain on exchange \$55,564; 1979 — loss \$18,132)	<u>7,834,483</u>	<u>8,718,944</u>
Income taxes on changes in investments	<u>1,973,314</u>	<u>2,143,570</u>
	<u>5,861,169</u>	<u>6,575,374</u>
Balance at end of year	<u>\$22,942,733</u>	<u>\$17,081,564</u>

GBC CAPITAL LTD.
and subsidiary companies

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS**
30th September, 1980
(Continued)

5. Changes in net assets

	1980	1979
Net assets at beginning of year	<u>\$ 79,452,034</u>	<u>\$64,064,110</u>
Add:		
Net income for the year	1,558,535	1,302,946
Gain on changes in investments		
Securities at average cost		
at beginning of year	46,876,409	42,733,401
Purchases	<u>22,704,769</u>	<u>15,376,662</u>
	69,581,178	58,110,063
Securities at average cost at end of year	<u>57,550,384</u>	<u>46,876,409</u>
Cost of securities sold	12,030,794	11,233,654
Proceeds from securities sold	<u>19,809,713</u>	<u>19,970,730</u>
	7,778,919	8,737,076
Gain (loss) on exchange	55,564	(18,132)
Increase in unrealized appreciation		
of investments	<u>25,346,927</u>	<u>8,632,933</u>
	<u>34,739,945</u>	<u>18,654,823</u>
Deduct:		
Income taxes on changes in investments	1,973,314	2,143,570
Dividends		
5¼% preferred shares	315,000	315,000
Common shares	<u>969,994</u>	<u>808,329</u>
	<u>3,258,308</u>	<u>3,266,899</u>
Increase for the year	<u>31,481,637</u>	<u>15,387,924</u>
Net assets at end of year	<u><u>\$110,933,671</u></u>	<u><u>\$79,452,034</u></u>

6. Directors and officers

Aggregate remuneration paid during the year to the Corporation's ten (1979 — nine) directors was as follows:

Paying corporation	1980	1979
GBC Capital Ltd.	\$22,484	\$20,150
Dominion-Scottish Investments Limited	22,484	20,150
Sutton Ventures Ltd.	1,000	1,000
	<u>\$45,968</u>	<u>\$41,300</u>

No remuneration was paid to the Corporation's five officers, two of whom are directors.

7. Net asset value

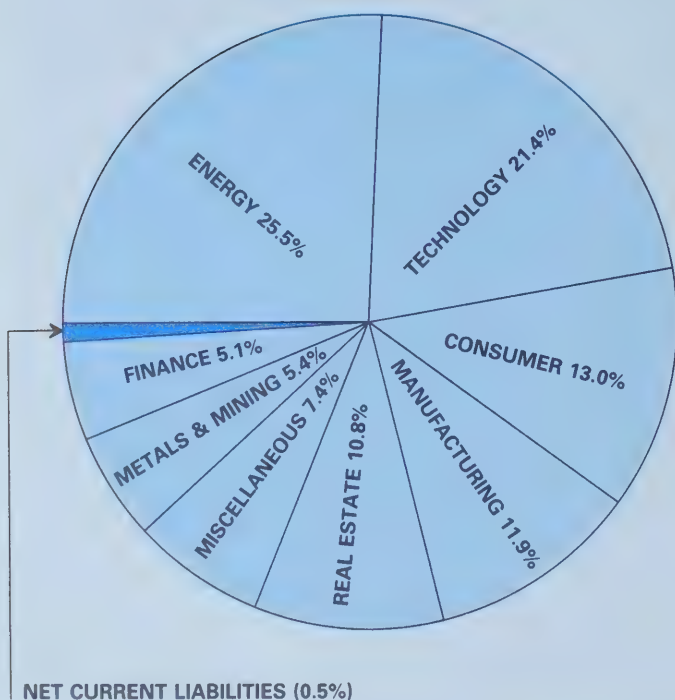
The net asset value per common share of the Corporation on the basis of market values is \$38.77 (1979 — \$27.09).

No.	Amount	Company	Market Value	Main Activity	Country of Incorporation
1	660,000	Shared Medical Systems	\$13,673,781	Hospital data processing	U.S.A.
2	770,000	Revelstoke Companies	7,315,000	Building supply retailer	Canada
3	165,425	Nu-West Group, A	4,529,337	Real estate, oil and gas	Canada
4	18,750	Teledyne Inc.	4,142,473	Electronic and engineered products	U.S.A.
5	50,000	Lornex Mining	3,975,000	Copper producer	Canada
6	50,000	Standard Oil, Ohio	3,365,188	Oil and gas	U.S.A.
7	65,000	Murphy Oil Corp.	3,252,527	Oil and gas	U.S.A.
8	611,000	Toromont Industries	2,902,250	Engineered products	Canada
9	100,000	Carma Developers	2,900,000	Real estate development	Canada
10	440,000	Harris Steel, A			
	220,000	Harris Steel, B	2,772,000	Steel fabrication and distribution	Canada
Top Ten Investments			48,827,556	42.6% of Total Assets	
11	60,000	National Medical Care	2,730,542	Kidney dialysis centers	U.S.A.
12	60,000	Felmont Oil	2,721,413	Oil and gas	U.S.A.
13	143,750	Cousins Properties	2,481,826	Real estate development	U.S.A.
14	60,000	McMoRan Oil & Gas	2,458,050	Oil and gas	U.S.A.
15	87,000	National Data Corp.	2,406,326	Computer services	U.S.A.
16	25,000	Wajax Limited, cv. Pfd. A			
	80,000	Wajax Limited	2,243,250	Heavy equipment distribution	Canada
17	38,600	Noble Affiliates	2,213,884	Oil and gas	U.S.A.
18	50,000	Phelps Dodge	2,180,056	Copper producer	U.S.A.
19	38,500	Moran Energy	1,892,698	Contract drilling	U.S.A.
20	50,000	H. & R. Block	1,814,275	Income tax services	U.S.A.
Top Twenty Investments			71,969,876	62.8% of Total Assets	
21	80,000	Rouse Co.	1,767,923	Real estate development	U.S.A.
22	30,000	First Mississippi	1,698,864	Fertilizer, oil and gas	U.S.A.
23	64,000	Dominion Dairies	1,696,000	Food products	Canada
24	30,000	Petrolane Inc.	1,483,609	Petroleum services	U.S.A.
25	30,000	Dorchester Gas Corp.	1,395,821	Oil and gas	U.S.A.
26	100,000	Scott's Hospitality			
	100,000	Scott's Hospitality, C	1,338,000	Hotels and fast foods	Canada
27	70,000	Energy Reserves Group	1,321,612	Oil and gas	U.S.A.
28	60,000	Ivaco Ltd.	1,275,000	Wire products	Canada
29	30,000	PHH Group	1,220,246	Management services	U.S.A.
30	45,000	Jerrico, Inc.	1,178,811	Fast foods	U.S.A.
Top Thirty Investments			86,345,762	75.4% of Total Assets	
31	35,000	Numac Oil & Gas	1,172,500	Oil and gas	Canada
32	25,000	Petroleum Equipment Tools	1,024,188	Equipment rental	U.S.A.
33	75,000	Emco Limited	1,022,250	Plumbing, heating products	Canada
34	10,000	Kerr-McGee	1,003,704	Oil and gas	U.S.A.
35	40,000	Storage Technology	989,307	Computer data storage	U.S.A.
36	30,000	Howell Petroleum	979,006	Oil and gas	U.S.A.
37	12,000	Grafton Group			
	48,000	Grafton Group, A	919,560	Apparel retailer	Canada
38	30,000	Summit Energy, cv. Pfd.	869,096	Oil and gas	U.S.A.
39	23,210	SPS Technologies	862,563	Industrial fasteners	U.S.A.
40	12,000	Texas Commerce Bancshares	830,540	Bank holding	U.S.A.
Top Forty Investments			96,018,476	83.8% of Total Assets	

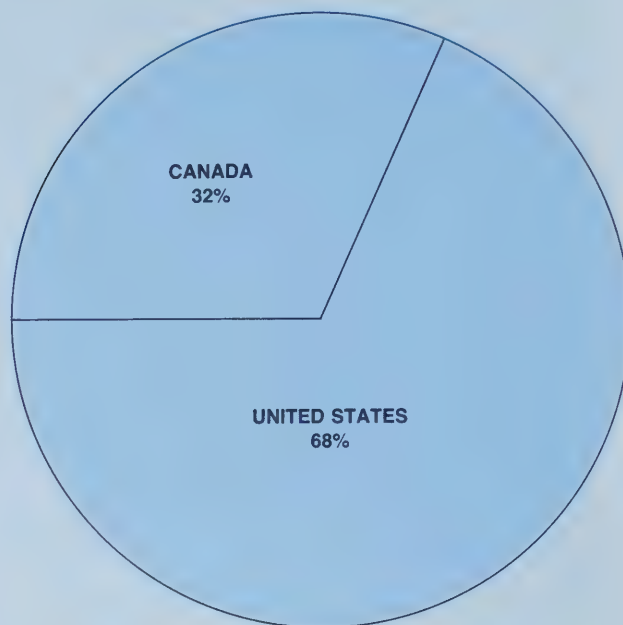
No.	Amount	Company	Market Value	Main Activity	Country of Incorporation
41	30,000	Canadian Imperial Bank	798,900	Banking	Canada
42	10,000	Evans & Sutherland	766,678	Computer graphics	U.S.A.
43	20,000	Woods Petroleum	749,120	Oil and gas	U.S.A.
44	20,000	Toys-R-Us	722,900	Toy retailer	U.S.A.
45	25,000	Air Florida, cv. Pfd.B	716,931	Interstate airline	U.S.A.
46	20,000	Harper Group	705,343	Freight forwarding	U.S.A.
47	30,000	Wilson, H.J.	698,086	Catalog showroom retailer	U.S.A.
48	18,000	Penn Engineering & Mfg.	690,010	Industrial fasteners	U.S.A.
49	10,000	NBI Inc.	678,890	Word processing	U.S.A.
50	12,500	Molex Inc.	660,308	Electronic connectors	U.S.A.
Top Fifty Investments			103,205,642	90.1% of Total Assets	
51	50,000	Monenco Ltd.	650,000	Engineering services	Canada
52	22,500	Intermedics Inc.	625,486	Cardiac pacemakers	U.S.A.
53	10,000	Cullinane Corp.	618,960	Computer software	U.S.A.
54	30,000	Old Republic Intl.	601,520	Insurance	U.S.A.
55	25,000	Scotty's, Inc.	596,370	Building supply retailer	U.S.A.
56	15,000	Valley National Bank Arizona	594,848	Banking	U.S.A.
57	15,000	MTS Systems	592,565	Test equipment	U.S.A.
58	\$500,000	Chilco Partnership No 4	500,000	Oil and gas	Canada
59	30,000	Interprovincial Pipe Line	498,900	Oil pipeline	Canada
60	10,000	Systems Engineering Labs.	491,610	Mini computers	U.S.A.
Top Sixty Investments			108,975,901	95.2% of Total Assets	
61	20,000	Comdata Network Inc.	488,801	Cash transfer	U.S.A.
62	30,000	Deltona Corp.	482,831	Land development	U.S.A.
63	20,000	Analogic Corp.	468,200	Data conversion, measurement	U.S.A.
64	85,000	Midwestern Distribution	460,650	Commodity trucking	U.S.A.
65	15,000	Finnigan Corp.	428,052	Environmental instruments	U.S.A.
66	20,000	Docutel Corp.	427,233	Automatic bank tellers	U.S.A.
67	96,376	Windsor Jewels, Pfd.	409,675	Jewelery retailer	U.S.A.
	1,891	Windsor Jewels			
68	15,000	Alpha Industries	408,212	Military electronics	U.S.A.
69	10,000	Cado Systems	405,344	Small business computers	U.S.A.
70	100,000	Strom Resources	340,000	Oil and gas	Canada
Top Seventy Investments			113,294,899	98.9% of Total Assets	
71	10,000	Safeguard Business Systems	332,188	Computer services	U.S.A.
72	20,000	Comserv Corp.	319,078	Computer software	U.S.A.
73	10,000	Microdyne Corp.	300,000	Satellite earth stations	U.S.A.
74	\$250,000	Killucan 80 Exploration	250,000	Oil and gas	Canada
75	46,667	Infomark, cv., Pfd. A	204,837	Small business computers	U.S.A.
76	30,000	Headway Corp.	195,000	Real estate development	Canada
77	4,300	Tellabs Inc.	145,961	Telephone equipment	U.S.A.
78	1,500	ISC Systems Corp.	48,283	Computer terminals	U.S.A.
Total Value of Investments			\$115,090,246	100.5% of Total Assets of \$114,514,640	

GBC CAPITAL LTD.
and subsidiary companies

DISTRIBUTION OF ASSETS



GEOGRAPHICAL DISTRIBUTION OF ASSETS



SIX-YEAR FINANCIAL SUMMARY

	1980	1979	1978	1977(2)	1976	1975
Gross income (thousands)	\$ 2,728	\$ 2,283	\$ 3,398	\$ 1,453	\$ 2,521	\$ 1,890
Net income (thousands)	1,559	1,303	2,583	976	1,926	1,373
Per common share—						
Net income	0.46	0.37	0.84	0.27	0.61	0.40
Dividend paid	0.36	0.30	0.068	—	0.065	0.06
Total assets (thousands).....	114,515	82,824	67,338	45,638	39,356	32,870
Net assets (thousands)	110,934	79,452	64,064	42,487	36,237	29,650
Available for common shares (thousands) ..	104,475	72,994	57,606	36,028	29,779	23,192
Net asset value per common share:						
Market value basis	38.77	27.09	21.58	12.78	10.89	7.42
Equity accounting basis	N/A	N/A	21.38	13.37	11.19	8.71
NOTES:						
(1) For fiscal years 1975 to 1978 inclusive, income from associated companies was accounted for on the equity method.						
(2) Nine month period ended 30th September, 1977.						

OFFICERS

Clifford L. Larock, F.C.I.S.
President and Chief Executive Officer

Neil B. Ivory
Vice-President

A. Scott Taylor, C.F.A.
Vice-President

Richard Haller
Secretary-Treasurer

Cyril F. Reid
Assistant Secretary-Treasurer

DIRECTORS

Douglas T. Bourke
John Clark
George A. Fierheller
R. Alexander Hammond-Chambers
Ian E. Ivory
Neil B. Ivory
John S. Lane, C.F.A.
Clifford L. Larock, F.C.I.S.
Douglas W. Parkin, M.A., F.I.A.
Hugh R. Snyder

MANAGERS AND LOCATION OF EXECUTIVE OFFICES

Pembroke Management Ltd.,
1018 Sun Life Building,
Dominion Square,
Montreal, Quebec H3B 2W8

LISTED

Montreal Stock Exchange

AUDITORS

Touche Ross & Co.,
1 Place Ville Marie,
Montreal, Quebec H3B 2A2

TRANSFER AGENT AND REGISTRAR

Montreal Trust Company:
Montreal, Toronto and Calgary
(also Winnipeg and Vancouver
for preferred shares)

REGISTERED OFFICE

12th Floor,
First Canadian Place,
Toronto, Ontario M5X 1B3



AR25

SECOND QUARTER REPORT

31st March, 1980

TO THE SHAREHOLDERS

Financial

The long postponed credit crunch finally arrived in March with severe effects on North American stock markets. GBC Capital's net assets during its second fiscal quarter ended 31st March, 1980, declined 7.0% to \$79.2 million and the net asset value per common share, 7.6% to \$27.00 per share.

For the first half of fiscal 1980, GBC's net assets and net assets per common share declined 0.3%. This compares with a 10.2% decline for the Dow Jones Industrial Index and a 2.6% rise for the Toronto Stock Exchange 300 Stock Index for the same interval.

Net income for the first six months of the 1980 fiscal year amounted to \$816,000, equal to 24 cents per common share after preferred dividend payments. This compares with net income of \$647,000 and earnings per common share of 18 cents in the same period last year.

Investment Policy

We believe that a recession has begun in the U.S. and that it will be longer and more severe than earlier anticipated. While corporate profits will decline in the period ahead, interest and inflation rates should also fall. Stock prices are expected to continue to be volatile but we plan to remain fully invested in well financed companies particularly in the fields of energy, real estate and high technology.

Respectfully submitted,
Clifford L. Larock,
President and
Chief Executive Officer.

Montreal, Quebec,
25th April, 1980.

GBC CAPITAL LTD.

Consolidated Statement of Income and Retained Earnings (unaudited)

	Six months to 31st March	
	1980	1979*
Income from investments		
Securities	\$1,226,917	\$ 989,189
Term deposits	150,454	106,589
	<u>1,377,371</u>	<u>1,095,778</u>
Expenses	298,334	233,530
Income and withholding taxes	186,021	138,677
Minority interest	77,234	76,465
	<u>561,589</u>	<u>448,672</u>
Net income for period	815,782	647,106
Retained earnings at beginning of period	7,058,615	6,878,998
	<u>7,874,397</u>	<u>7,526,104</u>
Dividends — preferred	157,500	157,500
— common	969,994	808,329
	<u>1,127,494</u>	<u>965,829</u>
Retained earnings at end of period	<u>\$6,746,903</u>	<u>\$6,560,275</u>
Per common share —		
net income	\$0.24	\$0.18
dividend paid	\$0.36	\$0.30

*Comparative figures have been restated to give effect to the discontinuance in 1979 of equity accounting.

GBC CAPITAL LTD.

Consolidated Statement of Changes in Net Assets (unaudited)

	Six months to 31st March	
	1980	1979*
Net assets at beginning of period	\$79,452,034	\$64,064,110
Net income for period	815,782	647,106
Gain on changes in investments:		
Securities at cost at beginning of period	(46,876,409)	(29,649,401)
Reclassification of investments previously carried at equity	—	(13,084,000)
Purchases	(9,936,339)	(6,169,931)
	<u>(56,812,748)</u>	<u>(48,903,332)</u>
Securities at cost at end of period	51,204,211	44,097,873
Cost of securities sold	(5,608,537)	(4,805,459)
Proceeds from securities sold	10,240,847	7,454,710
	<u>4,632,310</u>	<u>2,649,251</u>
Gain (loss) on exchange	84,099	(11,180)
Increase (decrease) in unrealized appreciation	(3,466,823)	3,051,338
Income taxes on changes in investments	(1,176,086)	(641,280)
Dividends	(1,127,494)	(965,829)
Increase (decrease) for period	<u>(238,212)</u>	<u>4,729,406</u>
Net assets at end of period	<u>\$79,213,822</u>	<u>\$68,793,516</u>
Net assets per common share —		
beginning of period	\$27.09	\$21.58
end of period	\$27.00	\$23.13

*Comparative figures have been restated to give effect to the discontinuance in 1979 of equity accounting.